10 OVERLOOKED OPPORTUNITIES FOR COST SAVINGS AT RURAL AND COMMUNITY HOSPITALS

A LOOK AT HURON'S PERFORMANCE IMPROVEMENT DATABASE REVEALS UNTAPPED OPPORTUNITIES EVEN AT HIGH-PERFORMING ORGANIZATIONS

As market pressures continue to grow, a comprehensive yet granular approach to reducing expenses can make healthcare delivery more efficient, giving organizations the ability to fund new investments and help position them to thrive in the future.

Each year, internal improvement teams save healthcare organizations millions of dollars by streamlining processes and reducing costs. An analysis of the Huron's Performance Improvement Database revealed 10 key areas of significant performance improvement and cost savings opportunities at rural and community hospitals.

OPPORTUNITY	TYPICAL EXPENSE IMPROVEMENT OPPORTUNITY*	ASSESSMENT QUESTIONS	IMPLEMENTATION CHALLENGES	EASE OF IMPLEMENTATION
Staff to Demand Flexible approach to staffing of OR, ED, Imaging and nursing	Decrease labor costs by 5-8% per department ($3,000,000-$6,000,000)	• What labor productivity measurements do we use? • How much overtime do we pay? • What are our agency nurse costs per quarter?	• Lack of tools or infrastructure in place to manage staffing in real-time • High level of discipline is required	Hard
Front-End Revenue Cycle Access, point of service collections, insurance verification and financial counseling	Increase net patient revenue by 2-4% ($3,000,000-$6,000,000)	• Do we secure eligibility and authorization for more than 95 percent of our patients before they receive service? • Are we using these and other predictive indicators to proactively improve performance and hold staff accountable?	• Decentralized processes that involve many stakeholders and have inconsistent processes and tools • Metrics to monitor performance are hard to define and gathering data in an automated fashion is difficult • Front-end processes are time sensitive making it difficult to implement changes without putting accounts at risk	Hard
340B Pharmacy Benefit Program Discount	Increase cost savings by 10-30% ($500,000-$1.5 million)	• Have we developed a retail pharmacy strategy and network? • Have we established criteria and timeline for a regular review of our 340B program, evaluating expansion options and compliance risks?	• Program maximization must be coupled with careful management of compliance requirements • Expertise and real-time monitoring are required	Hard

Blood Management Appropriate use of blood and other products such as cell salvage and blood expanders	Reduce blood management costs by 10-20% ($75,000-$450,000)	• What criteria are in place for blood transfusion? • What processes are in place to manage the overall cost of blood and blood products? • How has the total cost of blood changed over the past few years in relation to volume?	• Difficult for physicians to make peer-to-peer changes on blood practices • Development of processes and metrics needed to track opportunities, improvement and sustainability of the program can be challenging to create	Hard
Nonclinical Supply Costs Linen Utilization	Reduce linen costs by 5-20% ($40,000-$200,000)	• How does our performance compare to industry benchmarks? • What is our linen utilization per week? • Have we considered new workflows that would change our utilization levels?	• Processes that create overuse are ingrained into workflow • Discipline is needed to create new processes and maintain benefits	Medium
Clinical Operations Case management, interdisciplinary care coordination and patient placement	Reduce patient days by 4-5%, variable costs by 1-3% or generate an increase in net revenue by 2-4% for capacity constrained organizations ($3,000,000-$6,000,000)	• Is our risk-adjusted length of stay by DRG greater than the 75th percentile? • Do we have long ED and/or OR wait times compared to benchmarks? • Do we have high or increasing clinical denials compared to benchmarks?	• Number of disciplines impacted (i.e. nursing, physicians, ancillary areas) make sustainable, comprehensive change difficult	Medium
Reprocess Single-Use Clinical Devices	Reduce single-use device costs by 15-40% ($200,000-$500,000)	• Have we considered the latest evidence- based research related to reprocessing? • Do we have a system or structure in place to effectively and efficiently execute reprocessing?	• Misperceptions around processing prevent organizations from pursing improvement opportunities	Medium
Employed Medical Group Funding physician practice support and practice	Revenue improvement of 5% ($4,000,000-$5,000,000 in annually recurring additional revenue for a typical 100-150 physician multispecialty group)	• How do we compare to a high-performing medical group of similar size and complement as our group? • How do we manage the current subsidy? • How we align the overall group to allow us to compete in our market and take on risk related payer contracts?	• The tools and metrics to measure, analyze and improve throughput are not in place • Resources specializing in physician office improvement are not available to create change	Easier

*Dollar figures based on a 175- bed hospital with $150 million net patient revenue

* All figures in this table are estimates based on Huron's Healthcare Performance Improvement Database, which reflects the average performance improvement opportunities for our clients. Actual opportunities vary based on the unique attributes of each organization. Huron conducts assessments to determine true improvement opportunity for each of our clients.

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